

## **ITEM: ANNUAL BUDGET 2020/2021**

### **PURPOSE:**

The purpose of this report is to seek Council to approve the 2020/21 Municipal Annual Budget, Tariff Structure and the budget related policies.

### **BACKGROUND:**

The budget is prepared to meet the Integrated Development Plan priorities as well as the strategic objectives of the Molemole Municipality. The Departments have been consulted to enhance the production of a credible balance budget. The limited funds available for the IDP priorities and strategic objectives, leads to the Departments having to prioritize in line with the agreed strategies as informed by the Strategic Planning that took place on 09 to 11 May 2018. The IDP, as informed by the agreed strategies, is available and enhances alignment with the budget. New municipal budget and reporting regulations (MBRR) were promulgated on 17 April 2009 as per Government Gazette no. 32141. As part of the new regulations a totally new format is also prescribed in which Municipalities must submit the budget for adoption and/or approval, As the Municipality complied with the new format.

### **Attached are the following documentations:**

- Tables and Supporting Tables as prescribed.

The annual budget makes provision for all the functions and responsibilities of the Municipality as provided for in the 2020/2021 financial year.

**The following is a concise summary of the Annual Budget for the 2020/2021 financial year:**

<b>DESCRIPTION</b>	<b>AMOUNT</b>
OPERATING GRANTS	R156,595,650
CAPITAL GRANTS	R 49,186,350
OWN REVENUE	R 80,069,522
<b>TOTAL REVENUE</b>	<b>R 285,851,522</b>
OPERATING EXPENDITURE	R 224,252,191
CAPITAL EXPENDITURE	R 61,599,331
<b>TOTAL BUDGET</b>	<b>R285,851,522</b>
<b>SUPLUS/DEFICIT</b>	<b>R 0</b>

Total operating revenue amounts to R224, 252,951.00 and is contained in Table A4 (Budgeted Financial Performance).

## **2.1 Property rates**

An amount of R 23,451,683 is expected to be collected from Government, businesses and residential properties.

## **2.2 Service charges**

The main components of revenue from service charges are sale and basic levies of electricity R 11,271,705 and Refuse removal of R 2,391,314.

## **2.3 Rent of facilities and equipment**

Expected revenue for 2020/2021 amounts to R 244,463 from rental of buildings and grazing.

## **2.4 Interest earned**

This source of revenue refers to interest earned on the investment to the amount of R 2,215,488 and the R 1,275,117 to be earned from outstanding debtors.

## **2.5 Transfers recognized – operational**

Bulk from this source is from equitable share of R 150,787,000, R 2,400,000 from Financial Management Grant, R 1,304,000 from Expanded Public Works Programme Integrated Grant, R 358,000 from Municipal Disaster Relief Grant (Covid 19) and R 1,746,650 from Municipal Infrastructure Grant, which gives a total of R 156,595,650.

## **2.6 Agency Services**

Commission on water amounts to and sanitation amounts to R R 694, 618.

## **2.7 Other own revenue**

Other revenue amounts to R 26,854,441 million and consists of the following Elements:

- Operational Revenue -	R 18,926,671
- Sale of Properties -	R 7,500,000
- Sale of goods and rendering services	R 427,770

## **2.8 Transfers recognized – capital**

Capital grants and subsidies amounts to R 33,186,350 million for MIG, R 3,000,000 for Energy Efficiency and Demand Side Management Grant, and R 13,000,000 for Integrated National Electrification Programme Grant which gives a total of R49,186,350.

## **3. OPERATING EXPENDITURE**

Operating expenditure amounts to R 224,252,191 million and is contained in Table A4 (Budgeted Financial Performance) and supported by information in Supporting Table SA1.

### **3.1 Employee related costs**

**The following were taken into consideration**

\_ Provisional annual allowance increase of 6.0% was made for Councilors. Section 57 senior managers and (6% plus 1% annual notch increase) for other employees.

Total Employee/Councilors related costs amounts to R 98,165,079 million which represents 43.7% of total operating expenditure. The main components associated with personnel costs are contained in Supporting Table SA1.

### **3.2 Remuneration of Councilors**

Provision of R 15,010,262 is made for councilor allowances.

### **3.3 Debt impairment**

Debt impairment relates to the provision for working capital for an amount of R 6,099,772.

### **3.4 Depreciation**

Provision for depreciation for the 2020/2021 financial year amounts to R18,672,046 million and makes provision for current year assets to be purchased.

### **3.5 Bulk purchase of Electricity**

A provision of R11, 037,708 was made.in which the consumption pattern was considered together with the annual increase of 4.6%.

### **3.6 Contracted Services**

An amount of R 31,609,079 was made for all contracted services.

### **3.7 Other general expenditure**

Other general expenditure amounts to R 35,210,420 million and represents 15.7% of Total operating expenditure for the 2020/2021 financial year. Detailed information On other general expenditure is provided in Supporting Table SA1.

### **4.1 Capital expenditure**

Capital Expenditure for all departments amounts to R 61,599,331, which is 21.5% of the total municipal budget of R 285,851,522.

## **6. Budget related policies**

The following budget related policies are submitted in terms of the provisions Contained in the MFMA and MBRR.

- 6.1 Asset management policy
- 6.2 Cash Management and investment policy
- 6.3 Credit control and debt collection policy
- 6.4 Supply chain management policy
- 6.5 Property rates policy
- 6.6 Budget policy
- 6.7 Virement policy
- 6.8 Petty cash policy
- 6.9 Tariff policy
- 6.10 Indigent policy
- 6.11 Policy on the writing off of irrecoverable debts
- 6.12 Credit Control and Debt Collection By- Laws
- 6.13 By-Laws regarding Tariffs
- 6.14 Property Rates By-Laws
- 6.15 Inventory (Logistics) Policy
- 6.16 Policy for Infrastructure Procurement
- 6.17 Cost containment policy

## **7. Narration on Revenue projected tariffs and figures**

MFMA Circular No. 99 Municipal Finance Management Act No. 56 of 2003 have been used for all the revenue predictions, as stated on the Municipal Finance Management Act No. 56 of 2003.

Molemole Municipality increased the electricity sales by 6.22% as per the NERSA approval guideline and the Parten of consumption was also considered. Refuse removal and other service charges 4.5% for 2018/2019, 4.6% for 2020/2021 and 4.6% for 2021/2022. Property rates increased was based on the MFMA circular excluding the government properties in which the municipality has conducted a benchmarking exercise considered enharboured municipalities.

## **RECOMMENDATION**

Finance Portfolio Committee to recommend to EXCO and later to Council for the approval of the 2020/21 Municipal budget, Municipal Tariff Structure and the Budget related policies.